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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 07/08/08

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ARTICLES:

- (1) Prime Minister Fukuda makes his summit debut as chair; Can he turn the tables and improve his support ratings

YOMIURI (Page 4) (Abridged slightly)
July 8, 2008

Prime Minister Yasuo Fukuda made his "summit debut" yesterday with an expanded dialogue between the Group of Eight nations and African leaders, the first conference in the G-8 Lake Toya Summit. As the chair of this year's summit, the prime minister aims to buoy up his administration by making the international conference a success. At the same time, if the results turn out to be insufficient, he would not be able to put an end to his low support ratings. The prime minister is facing a crucial test.

Prime Minister Fukuda shook hands with each one of the 20 leaders of the expanded luncheon meeting on their way to the venue, Windsor Hotel Toya, even exchanging words with them in English. Fukuda, who is well known for his dislike of grandstanding, even tapped the glass with a spoon at the luncheon table to signal the opening of the event in a Western style.

"Once the discussion started, the prime minister expedited the proceeding calmly as usual," a senior Foreign Ministry official said.

There is every reason for Prime Minister Fukuda to become excited during the G-8 summit, the diplomatic highlight in his premiership.

Thorough preparations were made for the big event. In May, the government hosted the fourth Tokyo International Conference on African Development (TICAD) to play up Japan's eagerness to extend aid to Africa. In June, the prime minister announced the Fukuda vision to combat global warming.

A Fukuda aide commented: "I think Prime Minister Fukuda has special

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feelings about chairing the summit, something his father was not able to achieve." Fukuda's father, the late Prime Minister Takeo Fukuda was forced to step down after failing to win the LDP leadership race in December 1978, the year before Japan was to host the 1979 G-7 summit.

With no prospects in sight for the G-8 nations to reach an agreement on a long-term greenhouse gas emission reduction target, the environment surrounding Fukuda remains severe.

Katsuya Okada, vice president of the major opposition Democratic Party of Japan, predicted: "Prime Minister Fukuda will not be able to demonstrate the leadership in the upcoming summit. Japan has not fulfilled its promise (under the Kyoto Protocol). It is hardly possible for such a country to tell other countries to get things done." Poor results of the Lake Toya summit would end up providing the opposition camp with additional ammunition. Chairing the G-8 summit is a double-edged sword for Prime Minister Fukuda.

(2) Nuclear and Abductions: Fukuda administration to seek "straight gate," while eyeing public opinion

NIKKEI (Page 2) (Full)
July 3, 2008

With the United States starting the process of lifting North Korea as a state sponsor of terrorism, there was growing concern in Japan on June 26 that the issue of abductions of Japanese nationals would be left behind. Asked by reporters about how Japan would respond the situation, Prime Minister Yasuo Fukuda stressed on June 27: "Denuclearization is important. Along with that, we will have to resolve the abduction issue, as well." According to a government source, "The Prime Minister's remark was a result of careful arrangements in his government." The Fukuda administration has come up with a strategy of resolving the issues of abductions of Japanese nationals and North Korean nuclear programs at the same time. Appearing on NHK talks show on June 29, Foreign Minister Masahiko Koumura said: "Progress on the nuclear issue is better than no progress on both issues."

Need to avoid isolation

While the Six-Party Talks are entering a new phase, if Japan places priority on making progress on the abduction issue alone, it would

be isolated. Japan has no other choice but to urge Pyongyang to resolve the abduction issue, while carefully scrutinizing the North Korea's nuclear declaration along with other countries.

On June 19, a meeting of bureau director-general class officials from Japan, the United States, and South Korea was held in the Ministry of Foreign Affairs. In the session, U.S. Assistant Secretary of State Christopher Hill said: "I've heard that the present situation reminds North Korea of the Hussein government before the Iraqi war." When Hill said that North Korea was refusing the International Atomic Energy Agency's (IAEA) participation in the verification of the nuclear declaration, Asian and Oceanian Affairs Bureau Director General Akitaka Saiki gave Hill a warning: "The IAEA should be involved to the end."

The worst scenario for Japan is that Pyongyang will not fulfill its obligation after Washington delists it and that the Six-Party Talks will move forward without resolving the nuclear issue. With no

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improvement made on the abduction issue, Japan will have to face a nuclear-armed North Korea. In an attempt to prevent such a risk, the government will ask other six-party talks members to let it join the verification of Pyongyang's nuclear declaration, besides the United States, China and Russia, all of which are nuclear powers.

What Japan should do to resolve both nuclear and abduction issues is to join effort to provide energy assistance, as agreed at the six-party talks in return for North Korea's pledge to disable its nuclear facilities and nuclear declaration. Japan has maintained a principle of not taking part in the framework of providing energy assistance to Pyongyang before progress is made on the abduction issue.

Other members of the Six-Party Talks are expected to provide energy to North Korea for the time being in place of Japan. Therefore, it is uncertain how much Japan's pressure on Pyongyang will be effective, according to a source connected to the talks. The source also said that Russia was calling on Japan to join them.

Japan's other diplomatic leverage is its own economic sanctions against North Korea. The government intends to gradually lift sanctions when Pyongyang begins the reinvestigation into the abduction issue.

However, political circles and the public have erected heavy barriers. Ruling Liberal Democratic Party (LDP) lawmakers, including former Prime Minister Shinzo Abe and Shoichi Nakagawa, who take a hard-line stance toward North Korea, are cautious about easing sanctions. In a poll Nikkei conducted recently, a majority of the public are against relaxing sanctions.

The Fukuda administration will have to find a way that the public accepts, while facing off against North Korea.

(3) Shadow of globalization: G-8 countries groping for new economic order

MAINICHI (Page 2) (Full)
July 8, 2008

In the Lake Toya Summit in Hokkaido, economic issues are taking center stage again, although political issues such as antiterrorism measures were high on the agenda at the summits held over the past several years. But the economic issues caused by globalism are too complicated to be easily resolved under the lead of major industrialized countries.

The current economic issues include soaring food and energy prices, global warming, international financial crisis triggered by the credit woes stemming from the U.S. subprime mortgage crisis, as well as inflation.

These critical factors are closely connected with each other as a result of the rapid integration of the global economy. The U.S.-induced financial crisis has generated an enormous amount of

investment money that has nowhere to go and also has pushed up food and oil prices. The countries that are emerging owing to the advancement of globalization are gulping huge amounts of grains and energy, causing global supply shortages. The industrialized countries are now being pressed to resolve these problems.

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After the collapse of the Soviet Union, the U.S. dominated the world as a huge power, and U.S.-dispatched money and information technology flew around global markets. As a result, information instantly reaches the other side of the world through the Internet now. Former socialist countries, China, and India, after incorporated in the market mechanism, became rich incredibly speedily.

Set off by the subprime loan problem last summer, however, changes are going on in the U.S., which should have used state-of-the-art financial technologies, resulting in disrupting international financial markets. Large amounts of U.S. stocks and dollars were sold, and the funds that flowed out of stock and real estate markets drove up oil and food prices. President Bush, who used to lead the political summits, has seen the U.S.' international leadership decline in the last days of his presidency. The President can hardly be expected to play a leading role in the summit.

The combined population of China and India is approximately 2.5 billion, about 40 PERCENT of the world population. China used to be an oil exporting nation but turned to be an oil importing nation in the mid-1990s owing to its rapid economic growth. As seen from also the fact that China has become nation importing soybeans since the start of this century, that nation is now a highly-developed consumer society. The recent steep rise in resource and grain prices is attributed to growing consumption of China.

The Group of Eight (G-8) leaders will discuss how to control the surge in grain and oil prices. But now that the U.S. economy has slowed, it might be difficult for the G-8 alone, without China and India, to find an answer. That might be the reason the Lake Toba Summit is bringing together the leaders of 22 countries, the largest ever number, including the leaders of such emerging countries as China and India, as well as African nations.

(4) Mayor Iha off to U.S. on July 27 to seek elimination of dangerous aspects of Futenma Air Station

RYUKYU TIMES (Page 2) (Full)
July 8, 2008

Ginowan

Ginowan Mayor Yoichi Iha will make a six-day four-night visit to the United States starting on July 27 to ask for the removal of dangerous aspects of Futenma Air Station. His itinerary, including a visit to U.S. Pacific Command (PACOM) headquarters in Hawaii, was set yesterday. Funds to visit the United States were eliminated from a supplementary budget bill that was presented to the city assembly in June. Given that situation, the mayor will visit the United States at his own expense. It will be his third visit to the United States as mayor. Iha said: "I intend to make the U.S. military realize that it is violating its own safety standards and to urge them to remove the dangerous aspects and make efforts toward reversion."

Mayor Iha will call for the elimination of dangerous aspects of Futenma and an early return of the base. He will say that the absence of a clear zone (area where land use is prohibited) from Futenma Air Station constitutes a violation of U.S. military safety standards. His itinerary includes visits to PACOM headquarters, PACOM Marine Corps headquarters, and Senator Daniel Akaka, D-HI, a

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member of the Senate Committee on Armed Services.

Mayor Iha will be accompanied by an interpreter, a city official, and Okinawa assembly members Kiyoko Tokashiki and Seiryō Arakaki, both representing Ginowan.

As mayor, Iha first visited the United States in July 2004. In fiscal 2005 and 2006, the city assembly voted down expenses for U.S. visits. In 2005, he was able to visit the United States owing to donations from citizens. In March this year, the municipal assembly voted down a peaceful communities fund ordinance envisaging expenses for a U.S. visit. In June, the assembly passed the supplementary budget bill that did not include U.S. travel expenses.

(5) Ruling parties to set up council in mid-July to work out specific measures to shift road-tax revenues into general budget

YOMIURI (Page 4) (Full)
July 8, 2008

The Liberal Democratic Party (LDP) and the New Komeito started preparations to launch possibly in mid-July a council to discuss the issue of moving the tax revenues now dedicated to highway construction and maintenance projects into the general budget starting in FY2009. Since negotiations between the ruling and opposition blocs on this issue remain at a standstill, the ruling coalition judged it necessary to start drafting concrete measures independently.

Immediately after the ruling parties began discussion on fundamental tax system reform for FY2009, LDP Policy Research Council Chairman Tanigaki sounded out his counterpart of the New Komeito on the idea of setting up a panel. As panel members, the ruling parties intend to pick the Policy Research Council chairman, the party's Tax System Research Commission chairman, and policy chiefs responsible for road construction and other local administrative affairs.

The ruling camp initially gave priority to discussions with the opposition bloc, but no negotiations have been held since May 28 due to conflict between the two camps over the issue of the provision gasoline tax rate. Some members suggested that the ruling camp prepare a package of proposals first in order to set the stage for both sides to hold discussion.

The new panel is expected to discuss the propriety of a plan to convert the gasoline tax into an environmental tax, the setting of tax rates, and the total amount of money needed for highway construction and maintenance projects. The government's annual economic and fiscal policy guidelines for 2008 released in June specified a plan to study the introduction of an environmental tax. The New Komeito is agreeable to the plan.

LDP lawmakers with ties to the road construction industry are ready to actively participate in discussions in an attempt to secure a sufficient budget for highway construction and maintenance.

Election Committee Chairman Koga in a speech in Fukuoka yesterday expressed his intention to allow the gasoline tax revenues for other purposes than their initial one up until the consumption tax is hiked. He said:

"We would like to consider the possibility of using (the gasoline

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tax revenues) for social security, education, and other purposes even by freezing highway construction projects that are necessary over the next several years."

Koga, however, said: "We cannot make concessions on budgetary allocations for local highway construction projects," stressing that the targets for the freeze should be only those in Tokyo, Osaka, and Nagoya. Executive Council Chairman Nikai stressed: "It is imperative to have the people understand that (the gasoline tax rate) cannot be easily lowered." As it stands, difficult negotiations are expected in the ruling camp.

(6) LDP's Koga approves reallocation of road funds for such expenditures as social security

ASAHI (Page 4) (Full)
July 8, 2008

Makoto Koga, chairman of the Election Committee of the Liberal Democratic Party (LDP) on July 7 gave a speech in Fukuoka City. Referring to the reallocation of special-purpose road construction revenues for other uses, he indicated his stance of approving of such funds being used for social security, etc., noting: "We will abide by fiscal discipline. However, we could perhaps make up for a shortage even at the cost of placing a freeze on the construction of necessary roads." He pointed out: "When it comes to the question of whether we can win a mandate even if we reform the tax code immediately and make arrangements this year for a consumption tax hike, it is impossible." He thus indicated his view that it would be unavoidable to reallocate road funds for such expenses as social security, instead of raising the consumption tax. However, he insisted that a ban should be first placed on the construction of new roads in urban areas, noting: "We will secure the construction of roads in rural areas. However, there are surely some road construction plans whose implementation can wait for three years in urban areas, where a public transportation system is well-developed."

Koga warned that there must not be a dissolution of the Lower House -- the term of office of members of the Lower House expires in September next year -- and a general election within this year, because the ruling camp is bound to be defeated. Concerning the right timing for an election Prime Minister Fukuda should choose, he said, "He could decide at the outset of the regular Diet session to be convened in January next year. The end of March or April could also be an option" He then called on the prime minister to make up his mind whenever he thinks best timing after the passage of the budget bill for the next fiscal year..

(7) 90 PERCENT of DPJ's local execs back Ozawa in party race

NIKKEI (Page 2) (Abridged)
July 4, 2008

The leading opposition Democratic Party of Japan (Minshuto) is slated to hold a presidential election in September. Ahead of the race, the Nihon Keizai Shimbun conducted a questionnaire survey of the party's local executives from June 30 through July 3. In response, 43 of the DPJ's local chapters or 90 PERCENT of the party's local chapters answered that it would be desirable for the DPJ to reelect its incumbent president, Ichiro Ozawa. The survey showed that a majority of the DPJ's local leaders want Ozawa to stay

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on, envisaging a change of government in the next election for the House of Representatives. Meanwhile, 35 local chapters or more than 70 PERCENT said the DPJ should hold an election with multiple candidates running for its presidency.

The survey was carried out by sending a questionnaire form to the DPJ's 47 local chapters across the nation or by calling their executives, including secretaries general. Answers were obtained from all of the party's local chapters.

The DPJ is to elect its head with votes from its Dietmembers and local assembly members. In addition, its members and supporters across the nation, totaling about 270,000, have the right to vote. The DPJ has held no presidential election involving its members and supporters since 2002. Among those calling for a presidential election, the DPJ's local chapter in Aomori Prefecture suggested the need for the party to give a voting opportunity. Some of the DPJ's local chapters answered that they want the DPJ to display its presence through policy debate, with its local chapter in Nagano Prefecture saying it would be better to heighten policy debate.

However, there were no negative answers at all from the DPJ's local executives to a question asking if they thought it was desirable for the DPJ to reelect Ozawa to its presidency. The local chapters in the prefectures of Kyoto, Nara, Hiroshima, and Tokushima did not answer this question. However, all other local chapters supported

the idea of retaining Ozawa in his current post, with a DPJ local executive in Shizuoka Prefecture saying Ozawa is the best choice for the party's stability. Many of the DPJ's local leaders want to ride out the next election for the House of Representatives under Ozawa's continued leadership following the party's victory under his helm in last year's election for the House of Councillors and in this April's by-election in Yamaguchi Prefecture's District 2.

SCHIEFFER